THE SECRETARY OF THE TREASURY
WASHINGTON
December 16, 1943

MEMORANDUM FOR THE PRESIDENT

1. In January 1943, you approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about 500 million nor above about 1 billion."

2. Notwithstanding the directive, the British Government's liquid dollar exchange assets have continued to rise and are now over 1,650 million, or 2,500 million more than at the time the Lend-Lease Bill was presented to Congress in January 1941.

In addition to the gold and dollar holdings of the British Government, residents of the United Kingdom held 320 million of private dollar balances and about 1,150 million of long-term investments in the United States. Of the latter assets, 260 million are pledged with the B.P.O. against the 550 million loan.

3. Within a few months after your directive was issued, a division of opinion developed within the Committee concerning its proper implementation. In these discussions, the Treasury and the Board of Economic Warfare, with the support of the War Department, urged its literal interpretation; the State Department and Lend-Lease, on the other hand, favored a more liberal interpretation.

During the ensuing months, the Treasury and the Board of Economic Warfare pressed for a reduction in civilian lend-lease as a means of implementing your directive, but the State Department and Lend-Lease Administration were reluctant to recommend such a step in the absence of an exhaustive reexamination of our policy of financial assistance to the British and of Britain's over-all international financial position. It was
finally agreed to request the British for strategic and other materials as reciprocal aid, estimated likely to amount to $200-$300 million during the ensuing year. This proposal was immediately placed before the British. Several months elapsed before the latter agreed to the proposal in principle and even then only after considerable prodding. Several more months have been spent in an endeavor to arrive at methods of implementing the proposal. We are disappointed with the progress made to date and we think there is little reason at present to be hopeful that this device will in effect yield anything like the amount needed to carry out your directive.

4. The British government has strongly objected to a policy which prohibits an increase in their gold and dollar assets. They emphasize that the rise in their holdings of these assets—which may be expected to continue at an annual rate of at least a half billion dollars unless steps are taken to interrupt this trend—is only a fraction of the increase in their short-term indebtedness to overseas countries other than the United States.

The assert first that $305 million of these liabilities represent a specific claim against an equivalent amount of dollars and that that sum must be subtracted from their total holdings in order to obtain the correct figure of their available gold and dollar reserve.

Secondly, they claim that their short-term sterling liabilities to overseas countries are five times the amount of their gold and dollar holdings and that these liabilities are increasing at a rate of 2.5 billion a year.

The British claim that they should be permitted to accumulate gold and dollars as a necessary reserve against these growing liabilities. They assert that the continued accumulation of gold and dollars is a prerequisite to the continuation of the policy by which they have managed to finance their war expenditures in India, the Near East and other overseas areas.

Finally, the British fear that their mounting liabilities to overseas countries will place them in a very vulnerable position after the war and jeopardize their chances of a speedy post-war recovery.

5. There is merit, of course, in the British position, but we feel that neither Britain's international financial position, outside the United States nor its post-
war needs were among the considerations which prompted Congress to pass the Lend-Lease Act. In our opinion, Lend-Lease aid to Britain was instituted in order to enable her to obtain those goods and services essential to the prosecution of the war for the purpose of which she lacked the necessary dollars, and that therefore to administer the Act in such a way as to help underwrite Britain's short-term indebtedness to other countries or to improve her post-war financial position is not in accord with congressional intent. The British concede that this narrower purpose may have been the original objective, but they believe that our entry into the war alters the situation.

It is our view, however, that if we are to administer the Lend-Lease Act so as to provide Britain with more dollars than are required for the purchase of essential war goods and services, Congress should be informed and given an opportunity to indicate its attitude toward such a change in policy.

6. Our interpretation of congressional intent seems to be supported by the report of the Truman Committee entitled "Outlines of Problems of Conversion from War Production" and submitted to Congress on November 9, 1942. To quote from page 13 of this document:

"In the latter connection, we should never forget that lend-lease was originally authorized by the Congress, solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them. Lend-Lease was never intended as a device to shift a portion of their war costs to us, but only as a realistic recognition that they did not have the means with which to pay for materials they needed.

"Before authorizing lend-lease, the Congress expressly requested and received assurances that lend-lease assistance would be extended only where the recipient was fully utilizing all of its own resources."

Recommendations

Eleven months have passed since we signed the directive to keep the British balances between $600 million and $1,000 million. During this period we have attempted to develop a program designed to keep these balances from rising above that ceiling. To date we have not been successful in securing the necessary cooperation of the British government for the effective implementation of this objective."
In our opinion, nothing has happened during the past year to warrant a change in the policy laid down in your directive. The considerations which prompted the Committee's recommendation last January appear to us to be as valid today as they were then.

Therefore, unless you indicate to the contrary, we propose to take the following steps to reduce the British balances to within the range indicated in your directive:

1. Discontinue certain transactions which would never have been undertaken except for Britain's acute shortage of dollars, and which experience has shown are opposed by considerable sections of public opinion. Among the transactions which it is proposed to cut are: (a) long-term capital installations; (b) off-shore purchases such as Iceland fish, Caribbean sugar, and oil from outside the U.S.; (c) civilian goods to the Middle East; (d) all goods to South Africa; (e) small requisitions, and (f) certain other controversial civilian items.

2. Since these measures may be insufficient to bring Britain's balances down to the agreed upon maximum of 1 billion, it is further proposed to have the British pay for as large a proportion of civilian goods obtained in this country as is necessary to help reduce the British government's gold and dollar holdings to, and keep them at, about 1 billion.
My dear Mr. Secretary:

Last March the President approved a recommendation made by the Cabinet Committee on the Dollar Position of lend-lease countries, that in the light of present circumstances appropriate action be taken to maintain Canada's gold and U.S. dollar balances at not less than about $300 million and not more than about $350 million. Since then, despite the cancellation of over $100 million of U.S. contracts and contrary to the Canadian Government's expectations, Canada's gold and U.S. dollar reserve has risen markedly and is now roughly twice as high as the amount decided upon last Spring.

The improvement in Canada's U.S. dollar exchange position is such as to eliminate, at least for the time being, the necessity for transactions entered into by this Government, in pursuance of the Hyde Park Arrangement, for the purpose of increasing Canada's U.S. dollar receipts. In view of this fact, it is our opinion that henceforth no U.S. Government contract should be placed in Canada which cannot be readily justified on the basis of non-financial considerations. Furthermore, we feel that all existing and contemplated U.S. Government contracts as well as all contemplated and incomplete U.S. Government projects in Canada should now be reviewed in order to determine which of them could be cancelled by us and taken over by the Canadian Government without detriment to the war effort of the United Nations.

In this connection, the Canadian Government has proposed that it take over the obligation of the Metals Reserve Company, under an agreement with War Supplies Limited, to make capital advances up to a maximum of $10 million in order to develop certain marginal base metal mines in Canada and assure their production for the United States war effort.
I should appreciate being informed of the attitude of the Reconstruction Finance Corporation concerning this proposal. In addition, it would be helpful if you would let me know what contracts the Reconstruction Finance Corporation and its subsidiaries have outstanding in Canada and what projects they have under way in that country as well as which of these could be cancelled and taken over by the Canadian Government without hindrance to the war effort.

Sincerely,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Honorable Jesse Jones,
Secretary of Commerce,
811 Vermont Avenue,
Room 1215,
Washington, D. C.
Dear Mr. Crowley:

You will recall last March the President approved a recommendation made by the Cabinet Committee on the Dollar Position of lend-lease countries, that in the light of present circumstances appropriate action be taken to maintain Canada’s gold and U.S. dollar balances at not less than about $300 million and not more than about $350 million. Since then, despite the cancellation of over $100 million of U.S. contracts and contrary to the Canadian Government’s expectations, Canada’s gold and U.S. dollar reserve has risen markedly and is now roughly twice as high as the amount decided upon last spring.

The improvement in Canada’s U.S. dollar exchange position is such as to eliminate, at least for the time being, the necessity for transactions entered into by this Government, in pursuance of the Hyde Park Arrangement, for the purpose of increasing Canada’s U.S. dollar receipts. In view of this fact, it is our opinion that henceforth no U.S. Government purchase should be made in Canada which cannot be readily justified on the basis of non-financial considerations. Furthermore, we feel that all existing and contemplated U.S. Government contracts as well as all contemplated and incomplete U.S. Government projects in Canada should now be reviewed in order to determine which of them could be cancelled by us and taken over by the Canadian Government without detriment to the war effort of the United Nations.

In a memorandum submitted to the Treasury on December 7, the Canadian Government estimates that by the end of 1943 Canada will owe the U.S. Government a total of $115 million for goods supplied under Canadian requisitions. This is in addition to the $50 million already paid. It was agreed that Canada should make another lump payment on this account as soon as the amount involved is ascertained. Dr. Clark,
Deputy Minister of Finance for Canada, promised to have the Canadian supply people check their figures and I wonder if you would also have your staff look into the matter.

The memorandum also states that the Commodity Credit Corporation has recently been making unexpectedly heavy purchases of Canadian grain. Dr. Clark stated that if his memory served him correctly the amount purchased to date totals about $115 million.

For your information, the Canadian Treasury has inquired informally whether Canada should reimburse the U.S. Government for goods received under Canex requisitions—that is, for goods received by Canada and charged under lend-lease to the United Kingdom in exchange for other goods purchased here by Canada and used in that country for production for British account. Goods so delivered are estimated by the Canadians to amount to $40-$50 million.

I should appreciate it if you would let me know what purchases are being made by Foreign Economic Administration in Canada, what contracts it has outstanding and what projects it has under way there, as well as which of these could be cancelled and taken over by the Canadian Government without hindrance to the war effort. In the determination of the latter, no consideration should be given to the Canadian Government's ability to finance the transaction, as that matter is to be the subject of further exploration between the treasuries of the two countries.
Finally, I should appreciate it if you would take the necessary steps to see that future purchases made in Canada and contracts placed there by Foreign Economic Administration are limited to those which are dictated by other than financial considerations.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Room 414,
National Press Building,
14th & F Streets, N.W.,
Washington, D.C.
Dear Mr. Crowley:

This will acknowledge receipt of a copy of your letter to Secretary Hull dated December 6, 1943 in which you state that the Foreign Economic Administration feels strongly that the Union of South Africa should be placed on a cash basis to the fullest extent possible and that the Union Government should be requested to reimburse this Government for lend-lease assistance already received.

On November 15, 1943, I wrote to Mr. Dean Acheson advising him that the proposal to place all transactions between the Union of South Africa and the United States on a cash basis was not only acceptable to the Treasury but was in line with the position we had taken all along.

So far as concerns reimbursement for lend-lease assistance already extended, it seems to us that such a request might have unfavorable repercussions and might be interpreted as establishing a precedent for future lend-lease settlements with other countries. Moreover, it might lay this Government open to criticism of an unpleasant sort.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Room 414,
National Press Building,
14th & F Streets, N.W.,
Washington, D.C.

HDW:TMK:rl 12/14/43
The Honorable
The Secretary of State

Dear Mr. Secretary:

On November 23, 1943, Mr. Lauchlin Currie met with the Minister from the Union of South Africa for an exploratory talk regarding the scope of and procedures relative to the supplying of raw materials by the Union of South Africa as reverse lend-lease aid. Mr. Currie hasn't pressed this matter, and we have had no further discussions of the subject with representatives of the Union because the Foreign Economic Administration feels strongly that every effort should be made to place the Union of South Africa on a cash basis to the fullest extent possible; and that this possibility should be thoroughly explored before broadening the scope of reciprocal aid.

According to recent figures submitted to us by the Treasury Department, South African gold holdings now total about $640 million (compared to some $222 million in August, 1939). Gold production still continues at a rate of approximately $440 million per year and only about half of this production is probably needed to settle South Africa's unfavorable trade balances. As a result of continually increasing gold holdings, the repatriation of substantial amounts of securities previously held abroad, etc., it is estimated that there has been a net over-all improvement of more than $600 million in the South African overseas financial position since the beginning of the war. In the light of South Africa's small population, these are indeed impressive figures.

At a meeting held with the South African Minister and other representatives of South Africa on November 6, to discuss the matter of obtaining raw materials from South Africa as reverse lend-lease, Assistant Secretary Dean Acheson suggested to the South Africa representatives that South Africa might wish to consider paying cash for all goods obtained from the United States and that the United States would do likewise for goods obtained from South Africa; and it appears that this suggestion met with some favor on the part of the South African representatives.
It, therefore, appears that the State Department and the Foreign Economic Administration are already in agreement that South Africa should be put on a cash basis as to all future material aid. In addition, we believe that we should request the Union Government to make settlement for all lend-lease aid heretofore furnished to it. Total lend-lease exports to South African destinations to date have amounted to about $130 million, of which approximately $45 million have been civilian goods. (These figures somewhat overstate the amount of lend-lease aid to South Africa, since they include exports for the use of the United Kingdom and possibly of other governments. On the other hand, various charges such as those for services and supplies to South African forces in North Africa, etc., are reflected in the United Kingdom lend-lease account which might perhaps be chargeable to the South African Government.)

We feel that there should be no objection to a settlement such as we suggest, as it would merely put South Africa into a position similar to that of Canada.

We recognize that on April 26 of this year the South African Government, in a memorandum to your Department, stated that it would be grateful "if the question of a refund of previous lend-lease credits were not pressed"; and we appreciate that in the Department's memorandum of October 6 to the South African Government it was stated that this request would be acceptable, provided an agreement were reached with the Union Government on reciprocal aid. However, in view of the circumstances mentioned above, we think that the South African Government may be willing to reconsider its position; and we believe that the time for raising this question will never be more propitious than the present.

I recognize, of course, that great care will have to be exercised to assure that neither this proposal nor any settlement which may result therefrom will in no way be taken as establishing a precedent indicating the conditions upon which we intend to make future settlement of lend-lease relations with other governments.

Sincerely yours,

(Signed) Leo T. Crowley
Leo T. Crowley
Administrator.

LTC:CD:mmw
cc: Sec. Morgenthau
Mr. Currie
Mr. Coe
Mr. Cox
Mr. McCamy
Dec. 16, 1943

Harry White
Secretary Morgenthau

I woke up in the middle of the night worrying that we have not given Leo Crowley a copy of our letter to the General Staff in regard to lend-leasing silver to India, and their reply. I wish you would get that over to them this morning. Please write a letter saying you are doing this at the direction of the Secretary.
Dear Mr. Crowley:

I am forwarding to you, at the direction of the Secretary, copies of letter from Secretary Morgenthau to Admiral Leahy regarding lend-lease of silver to India and Admiral Horno's reply thereto.

Very truly yours,

(Signed) H. D. White

H. D. White
Assistant to the Secretary

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Room 424,
National Press Building,
14th & F Streets, N. W.,
Washington, D. C.

Enclosures

IHF/cls 12/16/43
By dear Admiral Leahy:

The U. S. Treasury has been requested by the Government of India to grant its immediate approval for the lend-lease of 100 million ounces of silver to the Government of India. The Government of India has indicated that this silver will be used for anti-inflationary purposes.

The U. S. Treasury has been studying the situation in India and believes that the use of this silver may be of assistance to the Government of India in its efforts to cope with the difficult problem of inflation. However, since India is a base for military operations in Eastern Asia and since the Government of India has given military necessity as one of its principal arguments for the lend-lease of this silver, I feel that the Combined Chiefs of Staff may have an interest in this matter.

Therefore, I would appreciate if the Combined Chiefs of Staff would take under consideration the question of whether or not the importance of granting this request from a military point of view outweighs the financial considerations involved.

If the Combined Chiefs of Staff feel that this matter is of concern to it, I would be pleased to receive its opinion as to the desirability of acquiescing to the Government of India's request.

Sincerely yours,

(signed) E. Morgenthau, Jr.

Secretary of the Treasury

Admiral William D. Leahy,
Chief of Staff to the Commander
in Chief of the U. S. Army and Navy,
Washington, D. C.
The Joint Chiefs of Staff
Washington

SECRET
3 December 1943

SECRET - SECURITY

The Honorable
The Secretary of the Treasury,
Washington, D. C.

My dear Mr. Secretary:

The Joint Chiefs of Staff acknowledge receipt of your letter dated 16 November 1943, referring to the matter of lend-lease of 100 million ounces of silver to the Indian Government for anti-inflationary purposes.

The Joint Chiefs of Staff consider that a reasonably stable currency is a necessity to successful military operations conducted from India, and that extensive inflation would imperil these operations. For this reason, it is considered that the currency of India should be kept sufficiently stable to enable the Allies to conduct military operations therefore without interference. Furthermore, the U. S. war production would not be adversely affected by sending this silver out of the country.

Subject to the above considerations, the Joint Chiefs of Staff have no objections from a military point of view to the lend-lease of the silver as requested.

Sincerely yours,

For the Joint Chiefs of Staff:

F. J. ROBERTS,
Vice Admiral, U. S. Navy,
Vice Chief of Naval Operations.

SECRET
TO Secretary Morgenthau
FROM Mr. Haas

I am transmitting herewith a chart showing the WPB Munitions Production Index and war expenditures monthly for the period July 1940 to date. As you suspected the real upward movement in munitions production did not begin until after Pearl Harbor.
WAR EXPENDITURES* COMPARED WITH MUNITIONS PRODUCTION

DOLLARS
Billions
(Expenditures)
8
7
6
5
4
3
2
1
0

PERCENT
(Munitions
Production)
800
700
600
500
400
300
200
100
0

War Expenditures*
(War, Navy, and
Maritime Commission)
(Billions of Dollars)

WPB Munitions
Production Index
November 1941 = 100

Pearl Harbor
Dec. 7

*Expenditures exclude miscellaneous war expenditures such as those for agriculture.
My dear Mr. Chairman:

Reference is made to the proposed additional Progress Report of the Joint Committee on Reduction of Nonessential Federal Expenditures which was forwarded by your office to the Treasury on December 15, 1943, to be issued in lieu of the report forwarded with your letter of November 4, 1943 for comment, suggestions, and approval.

In view of the fact that the statement contained in the original draft of the report with respect to expenditures for consumer subsidies has been omitted from the revised draft, I have no objection to the proposed report.

Very truly yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury

Honorable Harry F. Byrd
Chairman, Joint Committee on Reduction of Nonessential Federal Expenditures
Congress of the United States
Washington, D. C.

WHT: mb 12-16-43
Secretary of the Treasury Morgenthau today released the official circulars containing the detailed terms and conditions of the 2-1/2 percent and 2-1/4 percent Treasury bonds, and the 7/8 percent Treasury certificates of indebtedness, which will be sold, together with Series E, F and G savings bonds and Treasury savings notes, during the Fourth "war Loan Drive beginning January 18.

The secretary announced that commercial banks holding savings deposits will be permitted to subscribe during the Fourth War Loan Drive to the 2-1/4 percent and the 2-1/2 percent bonds. Such banks will also be permitted to subscribe to Series F and Series G savings bonds on and after January 1, 1944.

The formula for commercial bank participation in these securities is that any bank holding savings deposits as defined in Regulation Q of the Board of Governors of the Federal Reserve System may subscribe to any or all of the four bonds in an amount not to exceed, in the aggregate, 10 percent of its savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscribing for such bonds, or $200,000, whichever is less. Under no circumstances, however, will a bank be allowed to hold more than $100,000 (issue price) of Series F and Series G savings bonds (Series 1944), combined.

All subscriptions received from commercial banks under this formula are to be considered outside of the goal of $14,000,000,000 and will not be a part of any quotas.

The texts of the official circulars follow:
1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2-1/2 percent Treasury Bonds of 1965-70. The amount of the offering is not specifically limited.

2. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits, except as follows: A commercial bank holding savings deposits as defined in Regulation Q of the Board of Governors of the Federal Reserve System may subscribe to the bonds offered hereunder, to the 2-1/4 percent Treasury Bonds of 1956-59 offered simultaneously herewith under Treasury Department Circular No. 730, and to Series F-1944 and Series G-1944 United States Savings Bonds under Treasury Department Circular No. 654, Second revision, but the amount of such subscriptions shall not exceed, in the aggregate, 10 percent of the savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscription for such bonds, or $200,000, whichever is less. No such bank shall hold more than $100,000 (issue price) of Series F and Series G Savings Bonds (Series 1944), combined.
Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys. They will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury. Except as provided in Section I of this circular, these bonds may not, before February 1, 1954, be transferred to or be held by commercial banks, which are defined for this purpose as banks accepting demand deposits; however, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before February 1, 1954, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.

5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment, / Provided:

(a) that the bonds were actually owned by the decedent at the time of his death; and
(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to the Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at for credit on Federal estate taxes due from estate of ." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next

/ An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.
interest payment date; \( \frac{1}{2} \) bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form FD 1782, \( \frac{1}{2} \) properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than six months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers are requested not to trade in the securities allotted hereunder until after February 15, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and to the limitations on commercial bank subscriptions prescribed in Section I of this circular, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before February 1, 1944, or on later allotment. One day's accrued interest is \( \$0.069 \) per \( \$1,000 \). Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

\( \frac{1}{2} \) The transfer books are closed from February 16 to March 15, and from August 16 to September 15 (both dates inclusive) in each year.

\( \frac{2}{2} \) Copies of Form FD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.
V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
UNITED STATES OF AMERICA

2-1/4 PERCENT TREASURY BONDS OF 1956-59

Dated and bearing interest from February 1, 1944

Due September 15, 1959

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND
AFTER SEPTEMBER 15, 1956

Interest payable March 15 and September 15

1944

Department Circular No. 730

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, January 18, 1944

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2-1/4 percent Treasury Bonds of 1956-59. The amount of the offering is not specifically limited.

2. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits, except as follows: a commercial bank holding savings deposits as defined in Regulation Q of the Board of Governors of the Federal Reserve System may subscribe to the bonds offered hereunder, to the 2-1/2 percent Treasury Bonds of 1956-70 offered simultaneously herewith under Treasury Department Circular No. 729, and to Series F-1944 and Series G-1944 United States Savings Bonds under Treasury Department Circular No. 654, Second Revision, but the amount of such subscriptions shall not exceed, in the aggregate, 10 percent of the savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscription for such bonds, or $200,000, whichever is less. No such bank shall hold more than $100,000 (issue price) of Series F and Series G Savings Bonds (Series 1944), combined.

II. DESCRIPTION OF BONDS

1. The bonds will be dated February 1, 1944, and will bear interest from that date at the rate of 2-1/4 percent per annum, payable on a semiannual basis on September 15, 1944, and thereafter on March 15 and September 15 in each year, until the principal amount becomes payable. They will mature September 15, 1959, but may be redeemed at the option of the United States on and after September 15, 1956, in whole or in part, at par and accrued interest, on any interest day or 6 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.
2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys. They will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury. Except as provided in Section I of this circular, these bonds may not, before September 15, 1946, be transferred to or be held by commercial banks, which are defined for this purpose as banks accepting demand deposits; however, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before September 15, 1946, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.

5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of payment,1/ Provided:

(a) that the bonds were actually owned by the decedent at the time of his death; and

(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at ________for credit on Federal estate taxes due from estate of ________" Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;2/ bonds received during the closed period for payment at a date after the 
books reopen will be paid at par plus accrued interest from the reopening of the books. 1/ An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.

2/ The transfer books are closed from February 16 to March 15, and from August 16 to September 15 (both dates inclusive) in each year.
books to the date of payment. In either case checks for the full six months' interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form FD 1782, \(^1\) properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than six months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers are requested not to trade in the securities allotted hereunder until after February 15, 1944. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, and to the limitations on commercial bank subscriptions prescribed in Section I of this circular, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before February 1, 1944, or on later allotment. One day's accrued interest is $0.062 per $1,000. Any qualified depository will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

\(^1\) Copies of Form FD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.
V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.
UNITED STATES OF AMERICA

7/8 Percent Treasury Certificates of Indebtedness of Series A-1945

Dated and bearing interest from February 1, 1944

Due February 1, 1945

1944
Department Circular No. 731

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, January 18, 1944.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated 7/8 percent Treasury Certificates of Indebtedness of Series A-1945. These certificates will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits. The amount of the offering is not specifically limited.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated February 1, 1944, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on August 1, 1944, and February 1, 1945. They will mature February 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer certificates with interest coupons attached will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Commercial banks are requested not to purchase and subscribers are requested not to trade in the securities allotted hereunder until after February 15, 1944. Banking institutions generally may...
submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions must be accompanied by payment in full for the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for certificates allotted hereunder must be made on or before February 1, 1944, or on later allotment. One day’s accrued interest is $0.024 per $1,000. Any qualified depositary will be permitted to make payment by credit for certificates allotted to its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury
In care of try
Oner g phone calls
between Mr. Gamble and
Mr. Tromentine
final one. 1/4/44
December 17, 1943

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

Attached is a letter from John J. Rowe, who is Chairman of the War Finance Committee of twenty-two counties in Southern Ohio and also Chairman of the War Finance Committee of Hamilton County, which includes the City of Cincinnati.

This letter, as you will note, contains a cordial invitation for you to open the 14th War Loan in Cincinnati.

While this letter specifies a luncheon on January 13th, they advise me that arrangements have been made to change this to a dinner meeting, January 17th, if you could honor them with your presence.

The hall can seat 1,300 people.

The names of the Executive Committee mentioned are all top volunteers in both the area and county operations.

The State of Ohio would feel very proud if you could see fit to accept this invitation and in my official capacity as State Chairman, backed by the approval of our entire volunteer staff, I urgently second this invitation.

Respectfully yours,

Phil J. Tomaino
State Chairman
Ohio War Finance Committee

Encl.
Mr. Philip J. Trounsthine, Chairman
War Finance Committee for Ohio
Cleveland, Ohio

Dear Phil:

At our Executive Committee meeting this morning we unanimously voted to request you to try and persuade the Hon. Secretary of the Treasury, Mr. Morgenthau, to come to Cincinnati for our kick-off luncheon on January 18th. As Ohio was the leading industrial state in the third drive, we feel that it would be highly appropriate for the Secretary to honor the State of Ohio on the opening day of the fourth drive, and I am commissioned by our committee to urge you strongly to persuade him to come and to extend to him our very sincere invitation.

Our meeting was attended by Messrs. Hutton, Diehl, Lazar, Kaufman, Benson, Sullivan, Wallace, Banker, Davies, Orr, and several others.

In addition, we wish to extend our heartiest invitation to you as Chairman of the State of Ohio, to be present at our kick-off luncheon on January 18th. We hear from you promptly.

Yours very truly,

JJR:es
Cliff Mack

Secretary Morgenthau

The man, Harold Thomas, who has been looking after our stoker, I understand is taking off for Hawaii, and he was supposed to leave us the name of somebody to look after our stoker for us when it got out of order, and he hasn't done so. I would appreciate it if you would give us the name of a competent man who could come in to look after the stoker, if and when it goes out of order. Ever since the factory representative has been here, the stoker has been giving entire satisfaction.

See Marks memo of 12/16/42.
THE MINISTER OF FINANCE

No. 77

Caracas, December 16, 1943

Your Excellency
Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.,
United States of America.

Excellency:

I have the honor to acknowledge receipt of your letter dated the 23rd of November together with the enclosed copies of the explanation of purposes and of the Proposal for the establishment of a "Bank of the United Nations for the Reconstruction and Development" of the areas devastated by the war, which you were good enough to send me in confidence so that it might be submitted to the study of the experts in the employ of the Ministry of which I have charge.

I am studying the documents in question with the greatest interest, and in due course I shall inform you of my opinion and that of the experts consulted in connection with the said project.

As I thank you for your courteous letter and for the enclosure of the Proposal for the establishment of a "Bank of the United Nations for Reconstruction and Development," I take advantage of the opportunity to express to you my feelings of the highest consideration and esteem.

Respectfully,

(Signed) Rodolfo Rojas

MTN: inc: 1/1/44

Regraded Unclassified
Gouvernement Du Grand-Duché de Luxembourg
Cabinte Du Ministre D'Etat
President Du Gouvernement

MONTREAL
QUE.

December the Sixteenth
1943

Sir,

I beg to acknowledge receipt of your letter of November 22nd together with the tentative draft of a tentative proposal for a United Nations Bank for Reconstruction and Development.

In conjunction with my experts, I shall study the proposal and shall send you as soon as possible any comments or suggestions I may have to make.

Sincerely yours,

/s/ Pierre Dupong,
Pierre Dupong

Mr. Henry Morgenthau,
Secretary of the Treasury,
WASHINGTON, 25, D.C.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING.
TO: Secretary of State, Washington.
DATED: December 16, 1943
NO.: 3426

SECRET

It is discovered upon examining the files that we possess two drafts of the proposed reverse Lend-Lease agreement which vary considerably in language but not in general purport: (1) the draft enclosed in the Department's mail instruction of March 17, 1943, no. 250, and referred to in the Department's cables of March 9 and May 19, 1943, nos. 313 and 637 respectively; and (2) the draft received from Stilwell's headquarters on March 30 (the Department's telegram of March 9, no. 313, stated that the draft was being communicated to Stilwell with the request that he give a copy to the Embassy and therefore the copy which we received from him should assumably be identical with that enclosed with Department's mail instruction referred to above).

As yet we have not been able to ascertain whether (2) is in fact the draft communicated to Stilwell via the War Department or whether its variations from (1) represents suggestions for changes. In any event, it is suggested by us that since the Foreign Office wishes a copy of the appropriate draft to compare with that which it possesses preparatory to signature, the difficulty can most quickly and easily be resolved by cabling to us as soon as possible the final approved text in full, unless that text is definitely identical with the one enclosed with the mail instruction from the Department referred to above.

GAUSS

eh: copy
12-22-43
As regards the proposal that China should now sign reverse Lend-Lease agreement after such a long delay, it is suggested that this sudden decision by the Chinese likely has as the principal motive the making of a gesture which would gain face and praise for China in the United States and at the same time avoid the possibility of Congressional and other criticism should the public become aware of the circumstances of exploitation of our Army in China Minister of Finance's services and facilities. The gesture would cost China nothing unless steps are taken to implement the proposed arrangement. Reports to Treasury by Adler and to the Department by the Embassy regarding Minister of Finance's attitude do not encourage us to believe that the agreement will be satisfactorily implemented if signed.

It might be a serious tactical error, on the other hand, to decline to enter into an agreement which we, ourselves, proposed and give the Chinese the opportunity to say that they had offered to share the heavy burden of our military operations in China and had been turned down by us.

Therefore, it is proposed that we orally inform the Chinese that we should be very glad to enter into the agreement but that it is suggested by us that the actual signing be timed to coincide with conclusion of appropriate detailed arrangements to implement it. A formal approach already recommended setting forth in precise terms the nature and extent of financial services desired from China might be used to supplement this oral statement.

Should the Department, notwithstanding the foregoing, consider it preferable to sign the agreement forthwith as accomplishing at least a step forward, it is suggested that we take steps to offset possible Chinese effort to outmaneuver us by making clear in an official American announcement that the agreement is confined to broad aspects of intentions and principals which only lay the groundwork for implementation which it is expected the Chinese Government will undertake at once, especially in providing arrangements and facilities and services for our armed forces which can be supplied by China.
Information received up to 10 A.M. 16th December, 1943.

1. MILITARY

Italy

Eighth Army On 13th, some progress was made and 8th Indian Division captured CALDARI (three and a half miles W.W. VILO) nearly 200 prisoners taken. On 14th there was a marked increase in intensity of enemy counter-attacks and our troops gained a footing astride the lateral road ORTOSA-ORSOGNA. Bad weather and low visibility restricted air support.

Russia

Russians have now cleared right bank of Dnieper between USHER and AMEYCHUK. They are approaching railway junction of DMYTRO.

Balkans

Germans have been advancing by four converging columns into EAST BOSNIA but Partisans have had some success against these columns. 30 miles inland from SPLIT there has been fighting with varying success.

New Guinea

12th. Enemy stronghold at RIMBAK (one mile N.N.E. MABU) destroyed. Australian troops continue to advance northwards from SONTI RIVER supported by a few tanks.

2. AIR OPERATIONS

Western Front

15th. Weather hindered operations. 7 Hurricanes attacked military objectives in FRANCE and 7 Typhoons Bombers attacked BERCK Airfield.

Italy

13th. 468 Sorties carried out over ITAL and Eighth Armies Fronts.

14th. 60 Invaders (A.36) attacked CIVITAVECCHIA and communications dropping 27 tons of bombs. 216 Terns (P.40) attacked bridges near GAETA dropping 73 tons. 100 Spitfires on Patrol. Eastern Batta Area encountered about 80 enemy aircraft. Enemy casualties 31:12:4 for loss of three Spitfires.

Greece

14th. Fortresses (B.17) and Liberators (B.24) dropped 12 tons on ATHENS/ALIECHIS Airfields 224 tons on ATHENS/ALICHES Airfield, 105 tons on ATHENS/ATHIES Airfield and 31 tons on PIRAEUS Harbor. Enemy combat casualties 11:1:0, one Fortress missing.